

**THE INFLUENCE OF THE INTENSITY OF
MARKET COMPETITION ON MALAYSIAN
MANUFACTURING COMPANIES PERFORMANCE:
THE MEDIATING ROLE OF MANAGEMENT
ACCOUNTING INFORMATION**




NURFARZIANIE BINTI JAAFAR

UMMS
UNIVERSITI MALAYSIA SABAH

**FACULTY OF BUSINESS, ECONOMICS AND
ACCOUNTANCY
UNIVERSITI MALAYSIA SABAH
2021**

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**THIS THESIS SUBMITTED IN FULFILMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF ACCOUNTING**

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2021**

UNIVERSITI MALAYSIA SABAH

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NURFARZIANIE BINTI JAAFAR
MB15210081

 ANITA BINTI ARSAD
PUSTAKAWAN KANAN
UNIVERSITI MALAYSIA SABAH

(Tandatangan Pustakawan)

PROF. MADYA DR. RAMAN B. NOORDIN
Timbalan Naib Canselor
(Hal Ehwal Pelajar dan Alumni)
Universiti Malaysia Sabah



(Assoc. Prof. Dr. Raman Noordin)
Penyelia

Tarikh : 27 September 2021

DECLARATION

I hereby declare that the material in this thesis is my own except for the quotations, equations, summaries and references, which have been duly acknowledged.

23rd August 2021



NURFARZIANE BINTI JAAFAR

MB1521008T



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CERTIFICATION

NAME : **NURFARZIANIE BINTI JAAFAR**
MATRIC NO : **MB1521008T**
TITLE : **THE INFLUENCE OF THE INTENSITY OF MARKET
COMPETITION ON MALAYSIAN MANUFACTURING
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ROLE OF MANAGEMENT ACCOUNTING
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DEGREE : **MASTER OF ACCOUNTING**
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SUPERVISOR

Assoc. Prof. Dr. Raman Noordin

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ACKNOWLEDGMENT

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ABSTRACT

The objective of this study is to investigate the relationship between the intensity of market competition and the performance of manufacturing companies in Malaysia with the mediating role of management accounting information. The independent variable in this study is the intensity of market competition, and the dependent variable is the performance of electrical and electronics manufacturing companies. Management accounting information is also used as a mediating variable in this study. Contingency theory is applied in this study to determine and understand the influence of the intensity of market competition on Malaysian manufacturing companies' performance. The samples of this study are collected from the electrical and electronics manufacturing companies that are listed in the Federation of Malaysian Manufacturers (FMM) directory. The participants of this study are the managers of the companies. A total of 74 usable questionnaires are used to analyse this study. SPSS 27.0 is used to measure the frequency of the control variables of general information, while SmartPLS 3.3.2 is used to measure the relationship between the latent variables. Based on the analysis of this study, it shows that the intensity of market competition positively influenced the performance of manufacturing companies in Malaysia. Besides, it also shows that management accounting information acts as a mediator in the relationship between the intensity of market competition and the performance of manufacturing companies in Malaysia. The management accounting information explains the relationship between the intensity of market competition and the performance of manufacturing companies in Malaysia. This study may contribute to the development of the manufacturing industry in Malaysia, and also contribute to the scarcity of management accounting literature with regards to the use of management accounting information in improving organizational performance when market competition is highly intense.

ABSTRAK

PENGARUH INTENSITI PERSAINGAN PASARAN TERHADAP PRESTASI SYARIKAT PEMBUATAN DI MALAYSIA: PERANAN PERANTARA MAKLUMAT PERAKAUNAN PENGURUSAN

Objektif kajian ini adalah untuk mengkaji hubungan antara intensiti persaingan pasaran dan prestasi syarikat pembuatan di Malaysia dengan peranan pengantara maklumat perakaunan pengurusan. Pemboleh ubah bebas dalam kajian ini adalah intensiti persaingan pasaran, dan pemboleh ubah bersandar adalah prestasi syarikat pembuatan. Maklumat perakaunan pengurusan juga digunakan sebagai pemboleh ubah perantara dalam kajian ini. Teori kontingensi diterapkan dalam kajian ini untuk menentukan dan memahami pengaruh intensiti persaingan pasaran terhadap prestasi syarikat pembuatan Malaysia. Sampel kajian ini dikumpulkan dari syarikat pembuatan elektrik dan elektronik yang tersenarai dalam direktori Persekutuan Pengilang Malaysia (FMM). Peserta kajian ini adalah pengurus syarikat. Sebanyak 74 soal selidik digunakan untuk menganalisis kajian ini. SPSS 27.0 digunakan untuk mengukur kekerapan pemboleh ubah kawalan maklumat umum, sementara SmartPLS 3.3.2 digunakan untuk mengukur hubungan antara pemboleh ubah pendam. Berdasarkan analisis kajian ini, hasil kajian menunjukkan bahawa intensiti persaingan pasaran secara positif mempengaruhi prestasi syarikat pembuatan di Malaysia. Selain itu, hasil kajian juga menunjukkan bahawa maklumat perakaunan pengurusan berperanan sebagai perantara dalam hubungan antara intensiti persaingan pasaran dan prestasi syarikat pembuatan di Malaysia. Maklumat perakaunan pengurusan menerangkan hubungan antara intensiti persaingan pasaran dan prestasi syarikat pembuatan di Malaysia. Kajian ini menyumbang kepada perkembangan industri pembuatan di Malaysia, dan juga menyumbang kepada kelangkaan literatur perakaunan pengurusan berkaitan dengan penggunaan maklumat perakaunan pengurusan dalam meningkatkan prestasi organisasi ketika persaingan pasaran adalah sengit.

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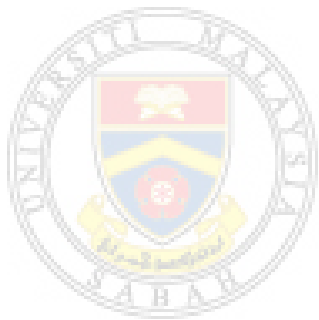
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LIST OF ABBREVIATIONS

AMT	-	Advanced Manufacturing Technology
AVE	-	Average Variance Extracted
BSC	-	Balanced Scorecard
CMCO	-	Conditional Movement Control Order
CR	-	Composite Reliability
EBIT	-	Earnings Before Interest and Taxes
EPS	-	Earnings Per Share
ERMS	-	Enterprise Risk Management System
FMM	-	Federation of Malaysian Manufacturing
GDP	-	Gross Domestic Product
IFAC	-	International Federation of Accountants
JIT	-	Just-in-Time
LNG	-	Liquefied Natural Gas
MA	-	Management Accounting
MAI	-	Management Accounting Information
MAS	-	Management Accounting System
MATRADE	-	Malaysia External Trade Development Corporation
MCO	-	Movement Control Order
MNC	-	Multi-National Corporation
PEU	-	Perceived Environmental Uncertainty
PLS-SEM	-	Partial Least Squares-Structural Equation Modeling
PMS	-	Performance Measurement System
PPE	-	Personal Protective Equipment
RMCO	-	Recovery Movement Control Order
ROA	-	Return on Asset
ROE	-	Return on Equity
ROI	-	Return on Investment
ROS	-	Return on Sales
SMA	-	Strategic Management Accounting
SME	-	Small and Medium-Sized Enterprise

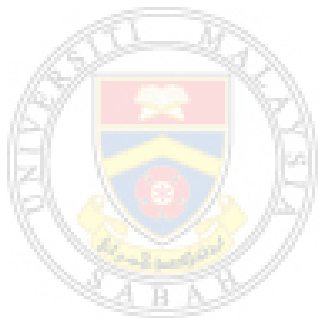
SOP	-	Standard Operating Procedures
SPSS	-	Statistical Package for Social Science
TEEAM	-	The Electrical and Electronics Association of Malaysia
TQM	-	Total Quality Management



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LIST OF SYMBOLS

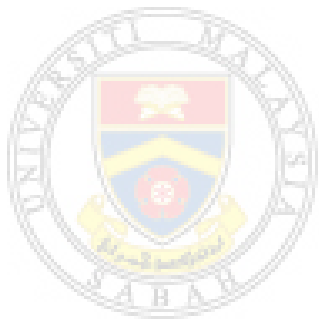
%	-	Percentage
1-β	-	The Power of
f²	-	Effect Size
H	-	Hypothesis
Q²	-	Stone-Geisser
R²	-	Coefficient of Determination
RM	-	Ringgit Malaysia
SE	-	Standard Error
α	-	Alpha
β	-	Standard Beta



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CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Organizational performance is a crucial variable in management research which is considered as a significant dependent variable that researchers are concerned and argued about (Richard, Devinney, Yip and Johnson, 2008; Gavrea, Ilies and Stegorean, 2011; Singh, Darwish and Potocnik, 2016; Taouab and Issor, 2019). Besides that, organizational performance is considered to be a fundamental indicator to determine the success or failure of organizations in achieving organizational goals and objectives (Randeree and Al Youha, 2009; Rehman, Mohamed and Ayoup, 2019). Prior studies have shown that organizational performance can only be improved when goals and objectives are achieved (Baines and Langfield-Smith, 2003; Chenhall, 2003; Agbejule, 2005; Ismail and Isa, 2011; Hammad, Jusoh and Ghozali, 2013; Laitinen, 2014; Rasid, Isa and Ismail, 2014; Ghasemi, Habibi, Ghasemlo and Karami, 2019).

Many studies have highlighted the importance of improving organizational performance. The main purpose of every study is to give details on how organizational performance can be improved for a long-term period and at the same time to help organizations to increase their profitability (Bititci, Garengo, Dorfler and Nudurupati, 2012). As argued by Adam, Jusoh, Mardani, Streimikiene and Nor (2019), the organizational performance that is improved demonstrates the stability of the organization's long-term sustainability in the industry.

An industry like manufacturing is considered to be a major driver of development in many developing countries like Hong Kong, South Korea, Taiwan, and Singapore, through its production and labour capacity. Manufacturing is consists of establishments engaged in the mechanical, physical or chemical transformation of materials, substances or components into new products, and this includes the assembling of component parts of manufactured products for various purposes other than construction (Levinson, 2017). This definition refers to a wide range of human activity such as from handicrafts to the high technology used, in which products are transformed from raw material to finished goods on a large scale.

In Malaysia, the manufacturing industry has been recorded to be one of the biggest contributors to the economy, which is contributing to Malaysia gross domestic product (GDP) and Malaysia exports product. In the process to develop this country, the government has transformed the manufacturing industry in ensuring this industry will continuously contribute to the economy, especially in a long-term economic period. The Malaysian manufacturing industry has been developing promptly since the 1980s.

The performance of the Malaysian manufacturing industry shows an increase from year to year, and at the same time, this industry helps in enhancing the economy of Malaysia. Table 1.1 presents the contribution of the manufacturing industry to Malaysian GDP from 2014 until 2019 at constant 2010 prices.

Table 1.1: Manufacturing Industry Contribution to Malaysian GDP

Year	Malaysian Total GDP (at constant 2010 prices)	Manufacturing Share to Malaysian Total GDP	
	RM Billion	RM Billion	Per cent (%)
2014	1012.4	232.5	22.97
2015	1064.0	243.7	22.90
2016	1108.9	254.5	22.95
2017	1174.3	269.8	22.98
2018	1230.3	283.1	23.01
2019	1290.7	296.4	22.96

Source: Economic Planning Unit Malaysia (2019)

In addition, the manufacturing industry is also increasingly contributing its product export to other countries such as China, Singapore, Hong Kong, and Japan. Manufacturing exports a variety of products such as electrical and electronics products, petroleum products, palm oil, rubber products, optical and scientific equipment, manufacturers of metal, iron and steel products, and many more.

In 2018, Malaysian total exports product increased to RM1,003.59 billion compared to 2017 which total export is RM935.39 billion. The manufacturing industry is the major contributor to Malaysia total exports product which this industry has contributed RM847.66 billion, which equals to 86.4% of total exports in 2020. Table 1.2 presents the contribution of the manufacturing industry to Malaysian exports products from 2014 until 2020.

Table 1.2: Manufacturing Industry Contribution to Malaysian Exports Products

Year	Malaysian Total Exports Products	Manufacturing Share to Malaysian Total Exports Products	
	RM Billion	RM Billion	Per cent (%)
2014	765.42	587.25	76.7
2015	779.95	625.46	80.2
2016	785.93	645.67	82.2
2017	935.39	767.64	82.1
2018	1,003.59	837.07	83.4
2019	986.38	834.15	84.6
2020	980.98	847.66	86.4

Source: Malaysia External Trade Development Corporation (2019)

The growth in product exports in the manufacturing industry is produced by the high demand for electrical and electronics products from abroad countries like China, Singapore, Japan, USA, Taiwan, Indonesia, South Korea, Thailand, India, Germany, and other countries. Furthermore, there is a recent significant growth in electrical and electronics exports products to emerging markets particularly Kazakhstan, Nigeria, Costa Rica, and Ghana.

As reported by the Malaysia External Trade Development Corporation (MATRADE), the electrical and electronics sector contributes RM386.11 billion in export revenue, which is 39.4% of the total export value in 2020. The electrical and electronics sector has become a major contributor to the manufacturing industry in Malaysia. Table 1.3 presents the top major total export products in Malaysian manufacturing industry for the year 2020.

Table 1.3: Top Major Total Export Products in Malaysian Manufacturing Industry 2020

Products	Export Revenue	
	RM Billion	Per cent (%)
Electrical and electronic	386.11	39.4
Petroleum	61.9	6.3
Chemicals and chemical	50.69	5.2
Palm oil	45.66	4.7
Rubber	43.64	4.4
Optical and scientific equipment	41.55	4.2
Machinery, equipment and parts	39.37	4.0
Manufacturers of metal	36.81	3.8
Liquefied natural gas	28.83	2.9
Iron and steel	23.54	2.4
Other	222.89	22.7

Source: Malaysia External Trade Development Corporation 2020

The electrical and electronics sector in Malaysia has a strong foundation in the field of semiconductors and industrial electronics. Almost every world-leading company has semiconductor operations in Malaysia, for example, Intel, Infineon, Texas Instruments, and Renesas. While in Malaysia, there are Green Packet, Unisem, Globetronics, and Inari which are involved with semiconductor operations. Additionally, the new growth in telecommunications, medical equipment, technology, and mobile devices, has made the electrical and electronics sector developed strongly. Furthermore, the global trend in semiconductor sales in the USA, Japan, Europe, and the Asia Pacific is very encouraging which has contributed to the increase in electrical and electronic export products to other countries.

However, the electrical and electronics sector in Malaysia is facing great challenges in maintaining its growth due to the strong competition from Singapore, China, Taiwan, and other Asian countries. Even though the performance of the electrical and electronics export products in Malaysia is seen to increase from year to year, but the percentage increase is very low. It is seen that the slight increase

in their performance does not achieve their desired goals and objectives utterly which has made them less competitive especially in the global business market. By becoming less competitive, it concerns the government on the long-term economic development as the electrical and electronics sector is seen to be promising in not only contributing to economic growth but also in contributing to technology development.

Furthermore, the world has been shaken by the Covid-19 virus in early 2020 and it has become a pandemic that affected the global economy. In early March 2020, Prime Minister, Tan Sri Muhyiddin Yassin announced a two-week movement control order (MCO) from 18th March to 31st March. This is the first stage of MCO where all employees are required to work from home, and no movement across districts or states is allowed. It has restricted manufacturing activities in Malaysia, especially in increasing manufacturing productivity, improving product delivery, and managing resources. Besides that, Malaysia's international borders have been closed throughout the pandemic that caused difficulty in exporting products to foreign countries.

As reported in The Sun Daily on 9th March 2020, the President of the Federation of Malaysian Manufacturers (FMM), Tan Sri Soh Thian Lai said that the electrical and electronics manufacturing sector is the sector that is most affected by the pandemic. Both domestic and international sales of the electrical and electronics manufacturing sector are declining sharply. Moreover, the lack of demand from international markets such as China due to Covid-19 has negatively affected the international sales of the electrical and electronics manufacturing sector.

During the first two weeks of MCO, the electrical and electronics manufacturing sector incurred an export loss of RM14.5 billion, and the contribution of the electrical and electronics sector to Malaysia GDP decreased by RM3.1 billion as reported by The Malaysian Reserve on 18th June 2020. Additionally, The Star reported on 27th April 2020, during the first six months of 2020, Malaysia export performance was not very encouraging and this has affected the performance of